

**CITY OF DUMAS, TEXAS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**SEPTEMBER 30, 2005**

**CITY OF DUMAS, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended September 30, 2005

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**CITY OF DUMAS, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended September 30, 2005

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## **INDEPENDENT AUDITOR'S REPORT**

### ***Unqualified Opinion on Basic Financial Statements Accompanied By Required Supplementary Information and Other Supplementary Information***

To the Honorable Mayor and  
Members of the City Commission  
City of Dumas  
Dumas, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dumas, Texas (the City) as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's Administrators. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Dumas, Texas, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and  
Members of the City Commission  
City of Dumas  
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Management's Discussion and Analysis and the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund on pages 3 through 10 and pages 17 and 18 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Dumas, Texas's basic financial statements.

Although the Combining Schedules and Other Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Keeney, Hembree & Company, L.L.P.*  
(Original signature on file)

November 9, 2005

**CITY OF DUMAS, TEXAS**  
**Introductory To Management's Discussion and Analysis**  
September 30, 2005

To the Citizens of the City of Dumas, Texas:

The Annual Financial Report of the City of Dumas, Texas, for the year ended September 30, 2005, is hereby submitted. The City is responsible for the completeness and fairness of these financial statements.

The financial statements are presented in the following sections: Introductory, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Combining Schedules, Other Schedules, and Overall Compliance and Internal Controls Section.

The City of Dumas was incorporated March 4, 1955, under the provisions of Home Rule Charter, Vernon's Annotated Civil Statutes, Article 1165, et seq. of the State of Texas. Citizens of Dumas elect the mayor and four commission members. The City operates under a Commission - Manager form of government.

This financial report is designed to provide the citizens of our City information concerning the financial condition of the City.

Sincerely,

*(Original signature on file)*

Rowdy Rhoades  
Mayor

## **CITY OF DUMAS, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the management of the City of Dumas, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2005. Please read it in conjunction with our transmittal letter on page 3, the Independent Auditor's Report on pages 1 and 2, and the City's Basic Financial Statements, which begin on page 11.

#### **FINANCIAL HIGHLIGHTS**

The City's net assets from governmental activities increased by \$692 thousand as a result of this year's operations. While net assets of our business-type activities decreased by \$243 thousand, or nearly 20 percent, net assets of the Dumas Economic Development Corporation increased by \$580 thousand, or nearly 38 percent.

During the year, the City had expenses that were \$449 thousand less than the \$11,923 thousand generated in tax and other revenues for governmental programs (before special items).

In the City's business-type activities, revenues increased to \$6,937 thousand (or 12 percent) while expenses decreased to \$6,143 thousand (or 32 percent).

Total cost of all of the City's programs, after charges for services and operating grants, was \$2,572 thousand. The total cost of the Dumas Economic Development Corporation, after charges for services and operating grants, was \$428 thousand.

The General Fund ended the year with a fund balance of \$575 thousand, which is an increase over last year's balance of \$307 thousand.

The resources available for appropriation were \$147 thousand more than budgeted for the General Fund.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations, other financial matters, and financial matters of the Dumas Economic Development Corporation. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial

resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the City's individual funds.

## **Reporting the City as a Whole**

### ***The Statement of Net Assets and the Statement of Activities***

The analysis of the City's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the City and the Dumas Economic Development Corporation are better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as fines, permits, and utility user charges (program revenues), and revenues provided by the taxpayers or by grant revenues (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

These two statements report the City's and the Dumas Economic Development Corporation's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors as well, such as changes in the City's needs based on population or its property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City has two kinds of activities:



- 1 Governmental Activities - Most of the City's basic services are reported here, including general government, public safety, highways and streets, sanitation, and culture and recreation. Property taxes, sales taxes, trash collection and utility fund, internal franchise fees and indirect cost reimbursements finance most of these activities.
- 1 Business-Type Activities - The City charges a fee to “customers” for utilities and golf to help cover the cost of services provided and to finance the services in the governmental activities.

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 13 and provide detailed information about the most significant funds - not the City as a whole. The City's management establishes many other funds to help it control and manage money for particular purposes (like fire and police grants). The City's two kinds of funds, Governmental and Proprietary, use different accounting approaches:

- 1 Governmental Funds - Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- 1 Proprietary Funds - The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service fund (the other category of proprietary funds) reports activities that provide supplies and services of the City's other programs and activities - such as the City's self-insurance program.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City implemented GASBS No. 34 in the prior year. Our analysis of comparative balances and charges focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and business-type activities and the Dumas Economic Development Corporation.

City of Dumas, Texas  
Management's Discussion and Analysis (continued)

Net assets of the City's governmental activities increased from \$1,873 thousand to \$2,565 thousand. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislations, or other legal requirements, was \$881 thousand at September 30, 2005. This increase in governmental net assets was the result of the revenues exceeding expenditures by about \$692 thousand.

In 2005, net assets of our business-type activities decreased by \$243 thousand. This decrease is due mainly to transfers to the General Fund.

**Table I**  
**City of Dumas, Texas**

<b>NET ASSETS</b> (thousands)						
	Governmental Activities 2005	Business-T ype Activities 2005	Total Primary Government 2005	Component Unit 2005	<b>Total 2005</b>	Total 2004
Current and other assets	\$ 2,698	\$ 1,426	\$ 4,124	\$ 545	<b>\$ 4,669</b>	\$ 4,877
Capital assets	3,868	5,198	9,066	1,926	<b>10,992</b>	10,250
Total Assets	6,566	6,624	13,190	2,471	<b>15,661</b>	15,127
Long-term liabilities	2,184	5,178	7,362	358	<b>7,720</b>	7,497
Other liabilities	1,817	482	2,299	15	<b>2,314</b>	3,032
Total Liabilities	4,001	5,660	9,661	373	<b>10,034</b>	10,529
Net Assets:						
Invested in capital assets net of related debt	1,684	-	1,684	-	<b>1,684</b>	4,365
Restricted	-	-	-	-	<b>-</b>	134
Unrestricted	881	964	1,845	2,098	<b>3,943</b>	99
Total Net Assets	\$ 2,565	\$ 964	\$ 3,529	\$ 2,098	<b>\$ 5,627</b>	\$ 4,598

City of Dumas, Texas  
Management's Discussion and Analysis (continued)

**Table II**  
**City of Dumas, Texas**

**Changes In Net Assets**  
(thousands)

	Governmental Activities 2005	Business- Type Activities 2005	Total Primary Government 2005	Component Unit 2005	<b>Total 2005</b>	Total 2004
Revenues:						
Program Revenues:						
Charges for services	\$ 1,713	\$ 6,706	\$ 8,419	\$ -	<b>\$ 8,419</b>	\$ 7,337
Operating grants and contributions	483	-	483	-	<b>483</b>	138
General Revenues:						
Property taxes, penalties, and interest	429	-	429	-	<b>429</b>	395
Sales tax and other taxes	2,180	-	2,180	515	<b>2,695</b>	2,445
Interest revenue	8	41	49	9	<b>58</b>	43
Miscellaneous revenues	173	190	363	483	<b>846</b>	296
Total Revenues	4,986	6,937	11,923	1,007	<b>12,930</b>	10,654
Expenses:						
General government	294	-	294	-	<b>294</b>	24
Public safety	2,837	-	2,837	-	<b>2,837</b>	2,902
Highways and streets	464	-	464	-	<b>464</b>	572
Sanitation	1,034	-	1,034	-	<b>1,034</b>	674
Culture and recreation	627	-	627	-	<b>627</b>	638
Interest and fiscal charges	75	-	75	-	<b>75</b>	85
Gas	-	3,685	3,685	-	<b>3,685</b>	3,081
Water	-	1,311	1,311	-	<b>1,311</b>	4,092
Wastewater	-	798	798	-	<b>798</b>	511
Golf Course	-	349	349	-	<b>349</b>	422
Dumas Economic Development Corporation	-	-	-	427	<b>427</b>	269
Total Expenses	5,331	6,143	11,474	427	<b>11,901</b>	13,270
Increase (decrease) in net assets before transfers and special items	(345)	794	449	580	<b>1,029</b>	(2,616)
Transfers	1,037	(1,037)	-	-	<b>-</b>	-
Special Items	-	-	-	-	<b>-</b>	(406)
Net Assets at 10/01/04	1,873	1,207	3,080	1,518	<b>4,598</b>	7,620
Net Assets at 9/30/05	\$ 2,565	\$ 964	\$ 3,529	\$ 2,098	<b>\$ 5,627</b>	\$ 4,598

City of Dumas, Texas  
Management's Discussion and Analysis (continued)

The City took actions this year to compensate for some increase in cost:

- 1 The City increased effective gas utility rates compared to the prior year.
- 1 The City adopted an allowable tax rate which increased General Fund tax revenues.

The cost of all governmental activities this year was \$5,331 thousand. However, as shown in the Statement of Activities on page 12, the amount that our taxpayers ultimately financed for these activities was \$3,135 thousand because some of the costs were paid by those who directly benefited from the programs (\$1,713 thousand) or by other governments and organizations that subsidized certain programs with grants and contributions (\$483 thousand).

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the Balance Sheet on page 13) reported a combined fund balance of \$724 thousand, which is more than last year's total of \$441 thousand. Included in this year's total change in fund balance is an increase of \$268 thousand in the City's General Fund. The net assets of the Dumas Economic Development Corporation increased by \$579 thousand to a total of \$2,098 thousand.

The City's General Fund balance of \$575 thousand reported on page 13 differs from the General Fund's budgetary fund balance of \$319 thousand reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund on pages 17 and 18. This is principally due to added revenues.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2005, the City had \$9,066 thousand invested in a broad range of capital assets, including land, buildings, machinery and equipment, vehicles, furniture and office equipment, communications equipment, gas systems, water systems, sewer systems and golf course.

This amount represents a net increase of just over \$327 thousand, or 4 percent, above last year. The Dumas Economic Development Corporation had \$1,926 thousand of capital assets at the end of September 2005.

City of Dumas, Texas  
Management's Discussion and Analysis (continued)

This year's major additions included (in thousands):

	Primary Government	Dumas Economic Development Corporation
Machinery and Equipment	\$ 653	\$ 6
Buildings	-	366
Total	\$ 653	\$ 372

## Debt

At year-end, the City had \$7,362 thousand in bonds, loans, and capital leases outstanding versus \$7,735 thousand last year – a decrease of \$373 thousand. More detailed information about the City's long-term liabilities is presented in Note III.B.5 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget tax rates. One of those factors is the economy. The City's population has increased slightly from prior year. The City Commissioners considered this factor when adopting the 2006 budget.

Amounts available to appropriation in the General Fund budget are \$3,994 thousand, an increase of 7 percent over the final 2005 budget of \$3,738 thousand. The City will use its revenues to finance programs currently offered. Budgeted expenditures in the General Fund are expected to increase nearly 9 percent to \$4,995 thousand from \$4,590 thousand in 2005. The City has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to remain the same at the close of 2006.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's administrative office, at City Hall, 124 W. 6<sup>th</sup> Street, Dumas, Texas, 79029.

## **BASIC FINANCIAL STATEMENTS**

CITY OF DUMAS, TEXAS  
Statement of Net Assets  
September 30, 2005

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Dumas Economic Development
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 302,199	\$ 1,241,697	\$ 1,543,896	\$ 143,210
Investments	115,421	1,455,408	1,570,829	331,175
Receivables (net of allowance for uncollectibles)	548,384	318,603	866,987	27,215
Internal Balances	1,634,559	(1,634,559)	-	-
Due from Primary Government	-	-	-	43,661
Inventories	84,802	-	84,802	-
Prepaid Items	10,300	15,164	25,464	-
Capital Assets:				
Land	420,735	293,458	714,193	325,003
Buildings, net	2,033,613	169,517	2,203,130	917,630
Machinery and Equipment, net	1,413,189	4,674,539	6,087,728	683,095
Construction in Progress	-	60,530	60,530	-
Other Assets	2,910	29,911	32,821	-
Total Assets	6,566,112	6,624,268	13,190,380	2,470,989
<b>LIABILITIES</b>				
Accounts Payable and Other Current Liabilities	1,751,243	460,451	2,211,694	5,846
Intergovernmental Payable	17,923	4,338	22,261	-
Due to Component Unit	43,661	-	43,661	-
Accrued Interest Payable	4,514	17,607	22,121	9,045
Noncurrent Liabilities				
Due Within One Year	287,316	318,914	606,230	20,646
Due in More Than One Year	1,896,612	4,858,867	6,755,479	337,170
Total Liabilities	4,001,269	5,660,177	9,661,446	372,707
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,683,609	-	1,683,609	-
Unrestricted Net Assets	881,234	964,091	1,845,325	2,098,282
Total Net Assets	\$ 2,564,843	\$ 964,091	\$ 3,528,934	\$ 2,098,282

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS  
Statement of Activities  
For the Year Ended September 30, 2005

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
City Commission	\$ 28,146	\$ -	\$ -
Administration	132,379	-	-
Information Systems	19,125	-	-
Warehouse	62,780	-	-
Engineering	18,903	29,132	-
Purchasing	12,173	-	-
Communications	20,886	-	-
Public Safety	77,526	-	71,903
Police	1,721,896	341,490	-
Fire Protection	1,037,975	-	401,059
Highways and Streets	463,847	-	-
Sanitation	1,033,585	1,089,524	-
Culture and Recreation	253,568	253,018	9,876
Parks	373,261	-	-
Debt Service - Interest and Fiscal Charges	74,838	-	-
Total Governmental Activities:	5,330,888	1,713,164	482,838
BUSINESS-TYPE ACTIVITIES:			
Gas	3,684,763	4,105,260	-
Water	1,310,804	1,524,848	-
Wastewater	798,047	861,919	-
Pheasant Trail Golf Course	349,323	214,294	-
Total Business-Type Activities:	6,142,937	6,706,321	-
TOTAL PRIMARY GOVERNMENT:	\$ 11,473,825	\$ 8,419,485	\$ 482,838
<b>Component Unit:</b>			
Nonmajor Component Unit	\$ 427,568	\$ -	\$ -
TOTAL COMPONENT UNITS:	\$ 427,568	\$ -	\$ -

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes  
Sales Taxes  
Gross Receipts Business Tax  
Franchise Taxes  
Penalty and Interest  
Miscellaneous Revenue  
Investment Earnings  
Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

The accompanying notes are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Dumas Economic Development
\$ (28,146)	\$ -	\$ (28,146)	\$ -
(132,379)	-	(132,379)	-
(19,125)	-	(19,125)	-
(62,780)	-	(62,780)	-
10,229	-	10,229	-
(12,173)	-	(12,173)	-
(20,886)	-	(20,886)	-
(5,623)	-	(5,623)	-
(1,380,406)	-	(1,380,406)	-
(636,916)	-	(636,916)	-
(463,847)	-	(463,847)	-
55,939	-	55,939	-
9,326	-	9,326	-
(373,261)	-	(373,261)	-
(74,838)	-	(74,838)	-
(3,134,886)	-	(3,134,886)	-
-	420,497	420,497	-
-	214,044	214,044	-
-	63,872	63,872	-
-	(135,029)	(135,029)	-
-	563,384	563,384	-
(3,134,886)	563,384	(2,571,502)	-
-	-	-	(427,568)
-	-	-	(427,568)
422,848	-	422,848	-
1,552,741	-	1,552,741	515,009
291,750	-	291,750	-
335,464	-	335,464	-
6,367	-	6,367	-
171,905	189,530	361,435	482,770
8,407	41,426	49,833	9,444
1,037,066	(1,037,066)	-	-
3,826,548	(806,110)	3,020,438	1,007,223
691,662	(242,726)	448,936	579,655
1,873,181	1,206,817	3,079,998	1,518,627
\$ 2,564,843	\$ 964,091	\$ 3,528,934	\$ 2,098,282

## CITY OF DUMAS, TEXAS

## Balance Sheet

## Governmental Funds

September 30, 2005

	General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 474	\$ 301,725	\$ 302,199
Investments - Current	114,197	695	114,892
Taxes Receivable	251,537	19,011	270,548
Allowance for Uncollectible Taxes (credit)	(913)	-	(913)
Receivables (net of allowance for uncollectibles)	80,883	139,599	220,482
Special Assessments Receivable, net	14,514	-	14,514
Intergovernmental Receivables	264	43,340	43,604
Due from Other Funds	1,634,559	-	1,634,559
Inventories	84,802	-	84,802
Prepaid Items	10,300	-	10,300
Total Assets	<u>\$ 2,190,617</u>	<u>\$ 504,370</u>	<u>\$ 2,694,987</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 147,070	\$ 119,435	\$ 266,505
Wages and Salaries Payable	93,482	1,175	94,657
Compensated Absences Payable	98,481	368	98,849
Cash and Cash Equivalents - Overdraft	1,207,085	35,719	1,242,804
Intergovernmental Payable	17,923	-	17,923
Due to Component Unit	43,661	-	43,661
Deferred Revenues	8,213	198,118	206,331
Total Liabilities	<u>\$ 1,615,915</u>	<u>\$ 354,815</u>	<u>\$ 1,970,730</u>
Fund Balances:			
Reserved For:			
Debt Service	\$ -	\$ 149,555	\$ 149,555
Inventories	84,802	-	84,802
Unreserved and Undesignated:			
Reported in the General Fund	<u>489,900</u>	<u>-</u>	<u>489,900</u>
Total Fund Balances	<u>\$ 574,702</u>	<u>\$ 149,555</u>	<u>\$ 724,257</u>
Total Liabilities and Fund Balances	<u>\$ 2,190,617</u>	<u>\$ 504,370</u>	<u>\$ 2,694,987</u>

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
September 30, 2005

<b>Total Fund Balances - Governmental Funds</b>	\$ 724,257
The City uses an internal service fund to charge the costs of certain activities, such as self-insurance, to appropriate functions in other governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. The net effect of this consolidation is to decrease net assets.	(44,840)
Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$10,530,915 and the accumulated depreciation was \$6,873,058. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	1,404,979
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2005 capital outlays and debt principal payments is to increase net assets.	917,691
The 2005 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(460,292)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of notes as an increase in notes payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	23,048
<b>Net Assets of Governmental Activities</b>	\$ 2,564,843

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2005

EXHIBIT C-3

	General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 119,679	\$ 303,169	\$ 422,848
General Sales and Use Taxes	1,552,741	-	1,552,741
Gross Receipts Business Tax	291,750	-	291,750
Franchise Tax	335,464	-	335,464
Hotel/Motel Taxes	-	249,306	249,306
Penalty and Interest on Taxes	6,367	-	6,367
Licenses and Permits	29,132	-	29,132
Intergovernmental Revenue and Grants	1,890	471,072	472,962
Charges for Services	1,089,524	-	1,089,524
Fines	329,895	11,595	341,490
Investment Earnings	8,215	192	8,407
Rents and Royalties	11,370	-	11,370
Contributions & Donations from Private Sources	9,876	-	9,876
Miscellaneous Revenue	99,049	3,712	102,761
Total Revenues	3,884,952	1,039,046	4,923,998
<b>EXPENDITURES:</b>			
Current:			
General Government:			
City Commission	21,005	-	21,005
Administration	130,840	-	130,840
Information Systems	19,125	-	19,125
Warehouse	50,173	-	50,173
Engineering	18,903	-	18,903
Purchasing	12,173	-	12,173
Communications	15,263	-	15,263
Public Safety	-	71,903	71,903
Police	1,634,100	11,787	1,645,887
Fire Protection	899,010	-	899,010
Highways and Streets	460,657	-	460,657
Sanitation:			
Sanitation	380,577	-	380,577
Landfill	497,406	-	497,406
Recycling	29,168	-	29,168
Culture and Recreation	-	253,018	253,018
Parks	316,342	497	316,839
Debt Service:			
Debt Service - Principal	33,507	214,212	247,719
Debt Service - Interest and Fiscal Charges	4,905	73,399	78,304
Capital Outlay:			
Capital Outlay	224,234	445,738	669,972
Total Expenditures	4,747,388	1,070,554	5,817,942
Excess (Deficiency) of Revenues Over (Under) Expenditures	(862,436)	(31,508)	(893,944)
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Real and Personal Property	19,500	-	19,500
Noncurrent Loans	120,500	-	120,500
Transfers In	990,000	47,066	1,037,066
Total Other Financing Sources (Uses)	1,130,000	47,066	1,177,066
Net Change in Fund Balances	267,564	15,558	283,122
Fund Balance - October 1 (Beginning)	307,138	133,997	441,135
Fund Balance - September 30 (Ending)	\$ 574,702	\$ 149,555	\$ 724,257

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
 and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended September 30, 2005

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 283,122
The City uses an internal service fund to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase net assets.	84,458
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2005 capital outlays and debt principal payments is to increase net assets.	917,691
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(460,292)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of notes, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.	(133,307)
<b>Change in Net Assets of Governmental Activities</b>	<u>\$ 691,672</u>

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Year Ended September 30, 2005

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 120,633	\$ 120,633	\$ 119,679	\$ (954)
General Sales and Use Taxes	1,485,700	1,485,700	1,552,741	67,041
Gross Receipts Business Tax	245,000	245,000	291,750	46,750
Franchise Tax	342,659	342,659	335,464	(7,195)
Penalty and Interest on Taxes	5,500	5,500	6,367	867
Licenses and Permits	30,630	30,630	29,132	(1,498)
Intergovernmental Revenue and Grants	14,960	14,960	1,890	(13,070)
Charges for Services	1,110,265	1,110,265	1,089,524	(20,741)
Fines	298,000	298,000	329,895	31,895
Investment Earnings	6,000	6,000	8,215	2,215
Rents and Royalties	20,465	20,465	11,370	(9,095)
Contributions & Donations from Private Sources	2,000	2,000	9,876	7,876
Miscellaneous Revenue	55,700	55,700	99,049	43,349
Total Revenues	3,737,512	3,737,512	3,884,952	147,440
EXPENDITURES:				
Current:				
General Government:				
City Commission	28,040	28,040	21,005	7,035
Administration	134,935	134,935	130,840	4,095
Information Systems	19,918	19,918	19,125	793
Warehouse	50,064	50,064	50,173	(109)
Engineering	18,764	18,764	18,903	(139)
Purchasing	11,747	11,747	12,173	(426)
Communications	15,356	15,356	15,263	93
Public Safety:				
Police	1,675,344	1,675,344	1,634,100	41,244
Fire Protection	870,589	870,589	899,010	(28,421)
Highways and Streets	456,066	456,066	460,657	(4,591)
Sanitation:				
Sanitation	377,949	377,949	380,577	(2,628)
Landfill	392,644	392,644	497,406	(104,762)
Recycling	19,690	19,690	29,168	(9,478)
Culture and Recreation:				
Parks	342,018	342,018	316,342	25,676
Debt Service:				
Debt Service - Principal	33,511	33,511	33,507	4
Debt Service - Interest and Fiscal Charges	4,893	4,893	4,905	(12)
Capital Outlay:				
Capital Outlay	138,495	138,495	224,234	(85,739)
Total Expenditures	4,590,023	4,590,023	4,747,388	(157,365)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(852,511)	(852,511)	(862,436)	(9,925)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	2,500	2,500	19,500	17,000
Noncurrent Loans	-	-	120,500	120,500
Transfers In	862,314	862,314	990,000	127,686
Total Other Financing Sources (Uses)	864,814	864,814	1,130,000	265,186

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - General Fund  
For the Year Ended September 30, 2005

EXHIBIT C-5 (Cont'd)

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Net Change in Fund Balances	12,303	12,303	267,564	255,261
Fund Balance - October 1 (Beginning)	307,138	307,138	307,138	-
Fund Balance - September 30 (Ending)	<u>\$ 319,441</u>	<u>\$ 319,441</u>	<u>\$ 574,702</u>	<u>\$ 255,261</u>

The accompanying notes are an integral part of this statement.

CITY OF DUMAS, TEXAS  
Statement of Net Assets  
Proprietary Funds  
September 30, 2005

	Business-Type Activities -	
	Gas	Water
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,114	\$ 664,550
Investments - Current	833,131	554,950
Accounts Receivable-Net of Uncollectible Allowance	144,313	112,632
Prepaid Items	7,582	7,582
Total Current Assets	986,140	1,339,714
Noncurrent Assets:		
Capital Assets:		
Land Purchase and Improvements	49,778	54,680
Buildings	117,234	-
Machinery and Equipment	2,090,408	9,222,051
Accumulated Depreciation - Capital Assets	(1,848,569)	(7,576,898)
Construction in Progress	-	60,530
Other Assets	-	11,964
Total Noncurrent Assets	408,851	1,772,327
Total Assets	1,394,991	3,112,041
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	28,659	34,813
Wages and Salaries Payable	124,128	86,306
Compensated Absences Payable	9,657	8,712
Claims and Judgments Payable	-	-
Cash and Cash Equivalents - Overdraft	110,149	-
Intergovernmental Payable	3,283	-
Due to Other Funds	-	-
Accrued Interest Payable	-	12,428
Bonds Payable - Current	-	44,419
Capital Leases Payable - Current	-	198,944
Total Current Liabilities	275,876	385,622
NonCurrent Liabilities:		
Bonds Payable - Noncurrent	-	1,040,510
Capital Leases Payable - Noncurrent	-	2,416,943
Total Noncurrent Liabilities	-	3,457,453
Total Liabilities	275,876	3,843,075
<b>NET ASSETS</b>		
Unrestricted Net Assets	1,119,115	(731,034)
Total Net Assets	\$ 1,119,115	\$ (731,034)

The accompanying notes are an integral part of this statement.



			Governmental Activities -
Wastewater	Pheasant Trails Golf Course	Total Enterprise Funds	Total Internal Service Fund
\$ 552,927	\$ 23,106	\$ 1,241,697	\$ -
67,327	-	1,455,408	529
61,594	64	318,603	149
-	-	15,164	-
681,848	23,170	3,030,872	678
-	189,000	293,458	-
5,711	207,122	330,067	-
3,355,978	947,950	15,616,387	-
(1,167,716)	(509,215)	(11,102,398)	-
-	-	60,530	-
17,947	-	29,911	2,910
2,211,920	834,857	5,227,955	2,910
2,893,768	858,027	8,258,827	3,588
39,412	9,628	112,512	-
864	3,262	214,560	-
2,250	2,611	23,230	-
-	-	-	20,313
-	-	110,149	28,115
-	1,055	4,338	-
-	1,634,559	1,634,559	-
4,013	1,166	17,607	-
42,000	-	86,419	-
-	33,551	232,495	-
88,539	1,685,832	2,435,869	48,428
1,359,000	-	2,399,510	-
-	42,414	2,459,357	-
1,359,000	42,414	4,858,867	-
1,447,539	1,728,246	7,294,736	48,428
1,446,229	(870,219)	964,091	(44,840)
\$ 1,446,229	\$ (870,219)	\$ 964,091	\$ (44,840)

CITY OF DUMAS, TEXAS  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2005

	Business-Type Activities -	
	Gas	Water
OPERATING REVENUES:		
Charges for Water Services	\$ -	\$ 1,524,848
Charges for Gas Services	4,105,260	-
Charges for Wastewater	-	-
Charges for Golf Course	-	-
Other Revenue	95,919	62,757
Total Operating Revenues	4,201,179	1,587,605
OPERATING EXPENSES:		
Personal Services - Salaries and Wages	281,404	247,408
Personal Services - Employee Benefits	102,602	94,629
Purchased Professional & Technical Services	48,262	19,700
Purchased Property Services	27,361	53,672
Other Operating Expenses	608,928	410,760
Supplies	2,539,949	278,215
Depreciation	76,257	56,138
Total Operating Expenses	3,684,763	1,160,522
Operating Income (Loss)	516,416	427,083
NON-OPERATING REVENUES (EXPENSES):		
Bond Issuance Cost	-	(1,496)
Investment Earnings	16,572	18,648
Rent Income	-	-
Sale of Assets	-	8,150
Interest Expense - Non-operating	-	(148,786)
Total Non-operating Revenue (Expenses)	16,572	(123,484)
Income (Loss) Before Transfers	532,988	303,599
Transfers Out	(367,066)	(420,000)
Change in Net Assets	165,922	(116,401)
Total Net Assets - October 1 (Beginning)	953,193	(614,633)
Total Net Assets - September 30 (Ending)	\$ 1,119,115	\$ (731,034)

The accompanying notes are an integral part of this statement.

Wastewater	Pheasant Trails Golf Course	Total Enterprise Funds	Governmental Activities -
			Total Internal Service Fund
\$ -	\$ -	\$ 1,524,848	\$ -
-	-	4,105,260	-
861,919	-	861,919	-
-	214,294	214,294	-
11,851	5,647	176,174	642,248
873,770	219,941	6,882,495	642,248
53,915	94,636	677,363	-
19,399	35,121	251,751	-
8,121	102,925	179,008	-
12,366	14,431	107,830	-
500,698	8,901	1,529,287	557,743
51,952	41,264	2,911,380	61
99,947	47,438	279,780	-
746,398	344,716	5,936,399	557,804
127,372	(124,775)	946,096	84,444
(2,243)	-	(3,739)	-
5,884	322	41,426	14
-	5,206	5,206	-
-	-	8,150	-
(49,406)	(4,607)	(202,799)	-
(45,765)	921	(151,756)	14
81,607	(123,854)	794,340	84,458
(250,000)	-	(1,037,066)	-
(168,393)	(123,854)	(242,726)	84,458
1,614,622	(746,365)	1,206,817	(129,298)
\$ 1,446,229	\$ (870,219)	\$ 964,091	\$ (44,840)

CITY OF DUMAS, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2005

	Business-Type Activities	
	Gas	Water
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 4,076,959	\$ 1,537,523
Cash Received from Other Revenue	95,919	62,757
Cash Payments to Employees for Services	(379,714)	(339,250)
Cash Payments for Insurance Claims	-	-
Cash Payments for Suppliers	(2,492,785)	(356,508)
Cash Payments for Other Operating Expenses	(608,928)	(410,760)
Net Cash Provided by Operating Activities	691,451	493,762
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Debt Payments and Expenses	-	(382,612)
Operating Transfer Out	(367,066)	(420,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(367,066)	(802,612)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>		
Acquisition of Capital Assets	(23,573)	(24,611)
Miscellaneous from Capital Activities	-	8,150
Net Cash Provided by (Used for) Capital & Related Financing Activities	(23,573)	(16,461)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	16,572	17,647
Net Increase(Decrease) in Cash and Cash Equivalents	317,384	(307,664)
Cash and Cash Equivalents at Beginning of the Year:	516,861	1,324,414
Cash and Cash Equivalents at the End of the Year:	\$ 834,245	\$ 1,016,750

The accompanying notes are an integral part of this statement.

			Governmental Activities -
Wastewater	Pheasant Trails Golf Course	Total Enterprise Funds	Total Internal Service Fund
\$ 857,020	\$ 214,798	\$ 6,686,300	\$ -
11,851	5,647	176,174	715,844
(73,544)	(130,316)	(922,824)	-
-	-	-	(715,783)
(93,637)	(35,301)	(2,978,231)	(61)
(500,698)	(8,901)	(1,529,287)	-
200,992	45,927	1,432,132	-
(88,520)	(37,160)	(508,292)	-
(250,000)	-	(1,037,066)	-
(338,520)	(37,160)	(1,545,358)	-
(348,924)	-	(397,108)	-
-	5,206	13,356	-
(348,924)	5,206	(383,752)	-
5,884	322	40,425	14
(480,568)	14,295	(456,553)	14
1,100,822	8,811	2,950,908	515
<u>\$ 620,254</u>	<u>\$ 23,106</u>	<u>\$ 2,494,355</u>	<u>\$ 529</u>

CITY OF DUMAS, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2005

	Business-Type Activities	
	Gas	Water
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided By Operating Activities:</u>		
Operating Income (Loss):	\$ 516,416	\$ 427,083
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities:		
Depreciation	76,257	56,138
Effect of Increases and Decreases in Current		
Assets and Liabilities:		
Decrease (increase) in Receivables	(28,301)	12,675
Decrease (increase) in Prepaid Expenses	(151)	(5)
Increase (decrease) in Accounts Payable	12,789	(4,916)
Increase (decrease) in Payroll Payables	4,292	2,787
Increase (decrease) in Estimated Claims	-	-
Increase (decrease) in Other Payables	110,149	-
Net Cash Provided by Operating	<u>\$ 691,451</u>	<u>\$ 493,762</u>
Activities		
<u>Reconciliation of Total Cash and Cash Equivalents:</u>		
Cash Equivalent for Internal Service Fund	\$ -	\$ -
Cash Equivalents on Balance Sheet	<u>834,245</u>	<u>1,016,750</u>
Total Cash and Cash Equivalents	<u>\$ 834,245</u>	<u>\$ 1,016,750</u>

The accompanying notes are an integral part of this statement.

			Governmental Activities -
Wastewater	Pheasant Trails Golf Course	Total Enterprise Funds	Total Internal Service Fund
\$ 127,372	\$ (124,775)	\$ 946,096	\$ 84,444
99,947	47,438	279,780	-
(4,899)	504	(20,021)	73,596
-	-	(156)	-
(21,198)	(870)	(14,195)	-
(230)	(559)	6,290	-
-	-	-	3,391
-	124,189	234,338	(161,431)
<u>\$ 200,992</u>	<u>\$ 45,927</u>	<u>\$ 1,432,132</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 529
<u>620,254</u>	<u>23,106</u>	<u>2,494,355</u>	<u>-</u>
<u>\$ 620,254</u>	<u>\$ 23,106</u>	<u>\$ 2,494,355</u>	<u>\$ 529</u>

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Dumas (City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASBS) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASBS pronouncements, in which case, GASBS prevails. The City of Dumas, Texas has implemented GASBS No. 34 in prior years. The City is considered a Phase 3 government under GASBS No. 34.

**A. The Reporting Entity**

The City of Dumas, Texas was incorporated March 4, 1955, under the provisions of Home Rule Charter, Vernon's Annotated Civil Statutes, Article 1165, et seq. of the State of Texas. Citizens elect the mayor and four commission members. The City operates under a Commission - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements present the City's primary government and component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

On March 30, 1998, the Dumas Economic Development Corporation was incorporated in the State of Texas. The Corporation was organized to provide for the economic development of Dumas; to create jobs in Dumas, Texas; to solicit industry and commercial enterprises to locate or relocate in Dumas, Texas; to provide loans for businesses to locate or relocate in Dumas, Texas, or to remain in Dumas, Texas; to promote and develop industrial and manufacturing enterprises; to promote and encourage employment and public welfare; to acquire or finance land, buildings, equipment, facilities, and improvements suitable for use for professional and amateur sports, athletic, entertainment, tourist, convention, and public park purposes and events or to promote or develop new or expanded business enterprises, including projects providing for public safety. The initial registered agent of the Corporation is the City Attorney. The seven member board of directors is appointed by the City Commission. The Corporation's revenues are a portion of the City's sales tax revenues. Because the City exercises significant influence over the Dumas Economic Development Corporation, it has been included in the City's financial statements as a discretely presented nonfiduciary component unit.



**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-Wide and Fund Financial Statements**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Dumas, Texas's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, trash collections, grants, intergovernmental revenues, and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support and utility user charges.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include swimming pool fees, fines, building permits, health permits, and utility user charges. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Examples include Federal and State grants for specific purposes. If a revenue is not a program revenue, it is a general revenue used to support all of the functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and the internal service fund are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-Wide and Fund Financial Statements (continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. All other revenues and expenses are nonoperating.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements use the *economic resources measurement focus* and the accrual basis of accounting, as do the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the Balance Sheet. Operating statements of these funds present net increases and decreases in current assets, (i.e., revenues and other financing sources and expenditures and other financing uses.)

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available [*GASB 2300. 106a(2) and 1600.108*], and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available [*GASB 2300.106a(2) and 1600.108*].

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount [*GASB 2300.106a(2) and 1600.108*].

The Proprietary Fund types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expensed in the accounting period in which they are incurred and become measurable. The City applies all GASBS pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASBS pronouncements [*GASB 2300.106a(7) and P80.104-107*]. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**D. Fund Accounting**

The City reports the following major governmental funds:

**The General Fund** – The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the City reports the following fund type(s):

*Governmental Funds:*

- 1. Special Revenue Funds** – The City accounts for resources restricted to, or designated for specific purposes by the City or a grantor in a Special Revenue Fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- 2. Debt Service Fund** – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a Debt Service Fund.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Fund Accounting (continued)**

*Proprietary Funds:*

- 1. Enterprise Funds** – The City's activities for which outside users are charged a fee equal to the cost of providing the goods or services of those activities are accounted for in an Enterprise Fund. The City's Enterprise Funds are the Pheasant Trails Golf Course and Utility Funds for gas, water, and wastewater. All of the City's Enterprise Funds are major funds.
- 2. Internal Service Fund** – Revenues and expenses related to services provided to organizations inside the city on a cost reimbursement basis are accounted for in an Internal Service Fund. The City's Internal Service Fund is the Health Self-Insurance Fund.

**Component Unit** - The Dumas Economic Development Corporation is a discretely presented nonfiduciary component unit.

**E. Other Accounting Policies**

**1. *Cash Flows***

For purposes of the Statement of Cash Flows for proprietary and similar fund-types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased [*GASB 2300.106a(6) and 2450.106-108*] .

**2. *Budgetary Data***

The City Commission adopts an annual budget for various funds including the General Fund and Debt Service Fund. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by those funds. The budgets for the Enterprise Funds are accepted under a basis consistent with GAAP, except that depreciation is not considered and capital outlay and debt service payments are budgeted as expenses. The budget for the General Fund and Debt Service Fund are presented in budgetary comparison schedules. The budgets for the Enterprise Funds are presented in the Statement of Revenues, Expenses, and Changes in Fund Net Assets - Actual Compared to Budgetary Basis.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Other Accounting Policies (continued)**

**2. *Budgetary Data (continued)***

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and character (personal services, maintenance and operations, capital outlay, debt service). All budget revisions affecting total expenditures/expenses are subject to final review by the City Commission. Management may transfer appropriations among departments without Commission approval. The City had no significant budget amendments during the year.

**3. *Use of Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles and *Government Auditing Standards* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

**4. *Risk Management***

The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits. Commercial insurance is purchased for claims arising from all matters except employee health benefits. Settled claims have not exceeded the commercial coverage in any of the three preceding years. The City is self-insured for employee health benefits.

**5. *Concentrations of Credit Risk***

Financial instruments which potentially subject the City to concentrations of credit risk consist principally of certificates of deposit and investments. The City places its certificates of deposit in financial institutions who have collateralized the certificates of deposit balance through FDIC coverage or pledged securities. The State of Texas has guaranteed the deposits in TexPool and Logic.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Other Accounting Policies (continued)**

**6. *Cash and Investments***

The City maintains and controls cash and investment pools that are available for use by all funds. Each fund's portion of this pool is combined and displayed on the combined Balance Sheet as "cash and cash equivalents".

Investments are carried at fair value. Cash deposits are reported at carrying amounts which reasonably estimates fair value. Additional cash and investment information is presented in Note III.A.1.

**7. *Inventories***

Inventories consist of expendable supplies held for consumption stated on a first-in, first-out basis, valued at average cost which approximates market. They are reported at average cost which is recorded as an expenditure at the time individual inventory items are used. Reported inventories of the General Fund are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**8. *Fixed Assets and Depreciation***

Property, plant, and equipment of all funds and the component unit are stated at historical cost. Donated assets are valued at their estimated fair market value on the date of donation. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Capital assets, which include land, buildings, and furniture and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Buildings, improvements, and furniture and equipment of the City and component unit are depreciated using the straight-line method over the following estimated useful lives:

Improvements	2-50	years
Buildings and Grounds	5-50	years
Furniture and Equipment	3-30	years
Infrastructure	10-50	years

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Other Accounting Policies (continued)**

**8. *Fixed Assets and Depreciation (continued)***

The City of Dumas is a Phase 3 governmental entity for GASBS No. 34 purposes. The City has elected to report infrastructure on the prospective basis beginning October 1, 2003.

**9. *Deferred Compensation Plan***

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**10. *Capitalized Interest***

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There was no capitalization of interest in the fiscal year ended September 30, 2005.

**11. *Long-Term Debt***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Other Accounting Policies (continued)**

**12. *Compensated Absences***

Full time employees of the City begin accruing vacation time the first day of employment; however, vacation leave is not available until employees have worked six months. Vacation is accrued according to the following schedule:

<u>Length of Service</u>	<u>Annual Paid Vacation</u>
0 to 5 years	6.67 hours per month
5 to 20 years	10.00 hours per month
over 20 years	13.33 hours per month

Employees are encouraged to take their vacation the year it is earned. However, employees may carry forward 80 hours into the next year. If an employee has greater than 80 hours at year end due to City workload, the City Manager may allow time to be taken off during the first quarter of the following year. Employees, who have worked at least six months, will be paid for accumulated vacation at termination of employment.

Employees accumulate sick leave at the rate of one day per month to a maximum of 90 days or 720 hours for regular employees and 1,080 hours for firemen and patrol officers. Sick leave may be taken by employees who have completed three months of employment; however, sick hours accumulate from the time of employment. Employees who retire with the maximum available sick leave will be paid for 30 days of that balance. Sick leave of 15 days will be paid to employees with a minimum of 10 years of service, who resign and have an accumulated sick leave balance of 90 days.

Longevity pay at the rate of \$4.00 per month for each completed year of service as of October 1 of each year is paid to full time employees. Employees have the option of receiving their longevity pay bi-monthly or accumulating it for the period October 1 through September 30 to receive a lump sum payment on a supplemental check the middle of November.

The estimated current portion of the liability for vested vacation leave benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The entire liability is considered current. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund.



**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Other Accounting Policies (continued)**

**12. *Compensated Absences (continued)***

Employees of the Dumas Economic Development Corporation earn one week of vacation for every six months worked. Any vacation must be taken by the end of each calendar year. Sick leave is paid at the rate of eight hours a month from the date of employment up to a maximum of 90 days.

**13. *Interfund Charges***

The City allocates to several funds a percentage of the salaries and wages, and related costs of personnel who perform general and administrative services for such funds, but are paid through the General Fund. These interfund charges are reported in the fund financial statement.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the Governmental Funds Balance Sheet and the net assets for governmental activities as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that capital assets are not financial resources and therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historical Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Assets
Land	\$ 420,735	\$ -	\$ 420,735	
Buildings	2,400,486	370,982	2,029,504	
Machinery and equipment	7,684,598	6,502,076	1,182,522	
Construction in progress	25,096	-	25,096	
Total	\$ 10,530,915	\$ 6,873,058	\$ 3,657,857	\$ 3,657,857
Long-Term Liabilities at the Beginning of the Year			Payable at the Beginning of the Year	
Bonds payable less deferred charges			\$ 1,608,284	
Landfill closure costs			554,117	
Capital leases payable			90,477	
Total			\$ 2,252,878	(2,252,878)
Net Adjustments to Net Assets				\$ 1,404,979

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS(continued)**

**B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

Exhibit C-4 provides a reconciliation between the net changes in fund balances as shown on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the changes in net assets of governmental activities as reported on the government-wide Statement of Activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of these adjustments are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings	10,194	10,194	10,194
Machinery and equipment	627,737	627,737	627,737
Construction in progress	32,041	32,041	32,041
	<hr/>	<hr/>	<hr/>
Total Capital Outlay	\$ 669,972	\$ 669,972	\$ 669,972
	<hr/>	<hr/>	<hr/>
<u>Debt Principal Payments</u>			
Bond principal	\$ 214,212	\$ 214,212	\$ 214,212
Landfill expenditures	-	-	-
Capital lease payments	33,507	33,507	33,507
	<hr/>	<hr/>	<hr/>
Total Principal Payments	\$ 247,719	\$ 247,719	\$ 247,719
	<hr/>	<hr/>	<hr/>
Total Adjustment to Net Assets			\$ 917,691
			<hr/>

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT(continued)**

**B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)**

Another element of the reconciliation in Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Changes in Assets	Net Adjustments to Net Assets
<u>Adjustments to Revenue and</u>			
<u>Deferred Revenue:</u>			
Uncollected miscellaneous revenue from:			
Other revenues	\$ 41,996	\$ 41,996	\$ 41,996
<u>Reclassify Proceeds of Bonds, Loans</u>			
<u>and Capital Leases:</u>			
Note proceeds	(120,500)	(120,500)	(120,500)
Landfill closure costs	(58,269)	(58,269)	(58,269)
<u>Reclassify Certain Expenditures to</u>			
<u>Accrued Interest Payable:</u>	3,466	3,466	3,466
Totals	<u>\$ (133,307)</u>	<u>\$ (133,307)</u>	<u>\$ (133,307)</u>

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS**

**A. Assets**

**1. *Deposits and Investments***

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional Contractual provisions governing deposits and investments for the City of Dumas, Texas are as follows:

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

- a. Foreign Currency Risk - The City is not exposed to foreign currency risk.
- b. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is those investments that comply with the **Public Funds Investment Act** and all Federal, State and local statutes, rules or regulations. The policy emphasizes safety of principal and liquidity and addresses the investment diversification, yield and maturity.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**1. *Deposits and Investments (continued)***

During the year, the City's deposits were covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name except for the first two months of the year. The City's deposits exceeded FDIC coverage by \$447,000 during this period because there was no pledged securities. At September 30, 2005, the City's deposits were covered with depository insurance in the amount of \$219,675 and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name in the amount of \$1,098,887. The component unit was covered at September 30, 2005 with FDIC coverage of \$120,042 and collateralized with securities held by the pledging institutions trust department or agent in the amount of \$160,410.

- c. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments. During the year, the City's and component unit's investments included external investment pools that are not subject to custodial credit risk. The City also invested in certificates of deposit that were covered with depository insurance in the amount of \$100,000 and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name in the amount of \$109,824 at the end of the year.
- d. Interest-Rate Risk - The City and component unit are not exposed to any interest-rate risk at September 30, 2005.
- e. Other Credit Risk Exposure - The City and component unit have no other known credit risk exposure at September 30, 2005.
- f. Concentration Risk - The City's and component unit's investment policies emphasize safety of principal and liquidity. The policies require prudence with respect to single investments. During the year, the City invested in TexPool and the Local Government Investment Cooperative under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code. The City and component unit were not exposed to any concentration risk for the year ended September 30, 2005 except for the first two months of the year when there were no pledged securities from the bank. The City was under pledged by \$447,000 during this two month period.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**1. Deposits and Investments (continued)**

Defaults and Recovery of Prior Period Losses

The City had no defaults or prior period losses for the year ended September 30, 2005.

The City's investments, at September 30, 2005, are shown below:

Name	City Carrying Amount	City Market Value	Component Unit Carrying Amount	Component Unit Market Value
TexPool	\$ 1,363,435	\$ 1,363,435	\$ 331,175	\$ 331,175
Local Government				
Investment Cooperative	7,394	7,394	-	-
Certificates of Deposit	200,000	200,000	-	-
Total Investments	\$ 1,570,829	\$ 1,570,829	\$ 331,175	\$ 331,175

Market values are based on quoted market values. The investments are reported by the City at amortized cost in accordance with **Governmental Accounting Standards Board Statement (GASB) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."** All gains/losses that are reported in the financial statements are for realized gains/losses. In accordance with GASBS No. 31, no unrealized gains/losses were recognized.

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and Texas Government Code, Chapter 2256. The participation agreement was made and entered into by and between the City of Dumas, Texas and the Comptroller of Public Accounts, acting on behalf of the Texas Treasury Safekeeping Trust Company, Trustee of the Texas Local Government Investment Pool. The Trust Company has specifically identified the authorized investments consistent with the Investment Act. The City owns an undivided beneficial interest in the assets of TexPool in an amount proportional to the total amount of the City's accounts relative to the total amount of all the participants' accounts in TexPool, computed on a daily basis.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**1. *Deposits and Investments (continued)***

The Local Government Investment Cooperative was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The City participates in the Liquid Asset Portfolio whose investments are exclusively in short-term marketable securities which are obligations of the United States, its agencies and instrumentalities with a maximum maturity of 13 months and Repurchase Agreements secured by obligations of the United States. The effective weighted average maturity of the Liquid Asset Portfolio cannot exceed 90 days. The Liquid Asset Portfolio does not invest in United States Government securities representing ownership in collateralized Mortgage Obligations or Mortgage Pools, Banker's Acceptances, or Commercial Paper.

**2. *Property Taxes Receivable And Property Tax Calendar***

Property taxes receivable are recorded in the Debt Service Fund and the General Fund. At fiscal year end, the receivables represent delinquent taxes. Delinquent taxes not paid at year end are recorded as deferred revenue. Delinquent tax payments received through the year are recognized as revenue in the year received.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. City property tax revenues are recognized when collected. An allowance is established for delinquent taxes to the extent that their collectibility is improbable.

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The ad valorem tax rate is allocated to the Debt Service Fund based on the projected annual requirement for debt service on general obligation debt. The total ad valorem taxes, for the year ended September 30, 2005, was \$.12815 per \$100 valuation. The ad valorem taxes were allocated \$.03638 and \$.09177 per \$100 valuation for the General Fund and Debt Service Fund, respectively.



**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**3. Disaggregation of Receivables**

Receivables, at September 30, 2005, were as follows:

	Taxes	Other Governments	Due from Other Funds	Accounts Receivable	Other	Total
<b>Governmental Activities:</b>						
General Fund	\$ 250,624	\$ 264	\$ 1,634,559	\$ 80,883	\$ 14,514	\$ 1,980,844
Nonmajor						
Governmental Funds	19,011	43,340	-	139,599	-	201,950
Internal Service Fund	-	-	-	149	-	149
Total-Governmental Activities	\$ 269,635	\$ 43,604	\$ 1,634,559	\$ 220,631	\$ 14,514	\$ 2,182,943
<b>Business-Type Activities:</b>						
Water Fund	\$ -	\$ -	\$ -	\$ 112,632	\$ -	\$ 112,632
Gas Fund	-	-	-	144,313	-	144,313
Wastewater Fund	-	-	-	61,594	-	61,594
Pheasant Trails Golf Course Fund	-	-	-	64	-	64
Total Business-Type Activities	\$ -	\$ -	\$ -	\$ 318,603	\$ -	\$ 318,603
<b>Component Unit:</b>						
Dumas Economic Development Corporation	\$ 43,661	\$ -	\$ -	\$ 27,215	\$ -	\$ 70,876

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**4. Capital Asset Activity**

Capital asset activity for the City's Governmental Activities, for the year ended September 30, 2005, was as follows:

	Balance October 1, 2004	Additions	Deletions	Other	Balance September 30, 2005
<b>Primary Government</b>					
Land	\$ 420,735	\$ -	\$ -	\$ -	<b>\$ 420,735</b>
Buildings	2,400,486	10,194	-	57,137	<b>2,467,817</b>
Machinery and equipment	7,684,598	627,737	174,388	-	<b>8,137,947</b>
Infrastructure	-	-	-	-	<b>-</b>
Construction in progress	25,096	32,041	-	(57,137)	<b>-</b>
Totals at Historical Cost	10,530,915	669,972	174,388	-	<b>11,026,499</b>
Less Accumulated Depreciation for:					
Buildings	370,982	63,222	-	-	<b>434,204</b>
Machinery and equipment	6,502,076	397,070	174,388	-	<b>6,724,758</b>
Total Accumulated Depreciation	6,873,058	460,292	174,388	-	<b>7,158,962</b>
Governmental Activities					
Capital Assets, Net	\$ 3,657,857	\$ 209,680	\$ -	\$ -	<b>\$ 3,867,537</b>

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**4. Capital Asset Activity (continued)**

Capital asset activity for the City's Business-Type Activities, for the year ended September 30, 2005, was as follows:

	Balance October 1, 2004	Additions	Deletions	Other	Balance September 30, 2005
<b>Business-Type Activities:</b>					
Gas Fund:					
Land	\$ 49,778	\$ -	\$ -	\$ -	\$ 49,778
Buildings	117,234	-	-	-	117,234
Machinery and equipment (includes gas system)	2,066,835	23,573	-	-	2,090,408
Totals at Historical Cost	2,233,847	23,573	-	-	2,257,420
Less Accumulated Depreciation	(1,772,312)	(76,257)	-	-	(1,848,569)
Net Property, Plant and Equipment	461,535	(52,684)	-	-	408,851
Water Fund:					
Land	54,680	-	-	-	54,680
Buildings	-	-	-	-	-
Machinery and equipment (includes water system)	9,222,051	-	-	-	9,222,051
Construction in progress	35,919	24,611	-	-	60,530
Totals at Historical Cost	9,312,650	24,611	-	-	9,337,261
Less Accumulated Depreciation	(7,520,760)	(56,138)	-	-	(7,576,898)
Net Property, Plant and Equipment	\$ 1,791,890	\$ (31,527)	\$ -	\$ -	\$ 1,760,363

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILS ON NOTES AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**4. Capital Asset Activity (continued)**

	Balance October 1, 2004	Additions	Deletions	Other	Balance September 30, 2005
<b>Business-Type Activities:</b>					
Wastewater Fund:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	5,711	-	-	-	5,711
Machinery and equipment (includes sewer system)	1,681,275	29,976	-	1,644,727	3,355,978
Construction in progress	1,325,779	318,948	-	(1,644,727)	-
Totals at Historical Cost	3,012,765	348,924	-	-	3,361,689
Less Accumulated Depreciation	(1,067,769)	(99,947)	-	-	(1,167,716)
Net Property, Plant and Equipment	1,944,996	248,977	-	-	2,193,973
Pheasant Trails Golf Course:					
Land	189,000	-	-	-	189,000
Buildings	207,122	-	-	-	207,122
Machinery and equipment	947,950	-	-	-	947,950
Totals at Historical Cost	1,344,072	-	-	-	1,344,072
Less Accumulated Depreciation	(461,777)	(47,438)	-	-	(509,215)
Net Property, Plant and Equipment	882,295	(47,438)	-	-	834,857
Total Business-Type Activities, net	\$ 5,080,716	\$ 117,328	\$ -	\$ -	\$ 5,198,044

The construction in progress in the Water Fund consists of one project for a water well in Hartley County, Texas. The total estimated cost of the water well is \$232,735 and it is 26% complete at September 30, 2005.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**A. Assets (continued)**

**4. Capital Asset Activity (continued)**

*Component Unit – Capital Assets*

The following is a summary of capital assets of the Dumas Economic Development Corporation at September 30, 2005:

<b>Component Unit:</b>	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
Machinery and equipment	\$ 721,243	\$ 6,200	\$ -	\$ 727,443
Land	233,503	91,500	-	325,003
Buildings	575,060	366,109	-	941,169
Construction in progress	10,185	18,091	28,276	-
Total	1,539,991	481,900	28,276	1,993,615
Less Accumulated Depreciation	(28,891)	(38,996)	-	(67,887)
Net Property, Plant, and Equipment	\$ 1,511,100	\$ 442,904	\$ 28,276	\$ 1,925,728

In the Governmental Activities for the Primary Government, depreciation expense was charged as follows:

City Commission	\$ 7,141
Administration	19,982
Warehouse	12,607
Communications	5,623
Public Safety	5,623
Police	92,599
Fire	155,555
Highways and Streets	19,608
Sanitation	84,582
Culture and Recreation	550
Parks	56,422
Total Depreciation Expense	\$ 460,292

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities**

**1. *Commitments and Contingencies***

*Contingencies*

Effective January 1, 1978, the City of Dumas became a covered employer for Texas and Federal Unemployment. The City has elected to become a reimbursing employer, thereby reimbursing the State Fund for actual benefits paid to their former employees. At the present time, the liability for reimbursement is an insignificant amount.

**2. *Lease Commitments***

*Operating Leases*

The City of Dumas and component unit has entered into operating leases, which contain cancellation provisions and are subject to annual appropriations by the City Commission. For the current year, rent expenditures approximated \$23,829 for the City and \$3,163 for the component unit.

The minimum lease payments under operating leases are:

	<b><u>Operating Leases</u></b>	
	<u>General Fund</u>	<u>Component Unit</u>
2006	\$ 8,901	\$ 1,962
2007	8,901	2,220
2008	8,901	2,220
2009	2,157	1,704
2010	719	1,188
Total	<u>\$ 29,579</u>	<u>\$ 9,294</u>

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**2. *Lease Commitments (continued)***

*Capital Leases*

**Governmental Activities:**

General Fund

The City of Dumas entered into a capital lease agreement with Outsource Lease, Inc. on April 22, 2004, in the principal amount of \$84,520. The lease is for a Volvo L60E wheel loader. The lease requires four annual payments of \$22,962, beginning April 22, 2004, with the final payment due April 15, 2007. The interest rate is 5.84%.

The City of Dumas entered into another capital lease agreement with Ford Motor Credit Company on May 4, 2004, in the principal amount of \$44,361. The lease is for two 2004 Ford Crown Victoria Police interception vehicles. The lease requires three annual payments of \$15,442, beginning May 4, 2004, with the final payment due May 5, 2006. The interest rate is 4.5%.

**Business-Type Activities:**

Water Fund

The City of Dumas entered into a capital lease agreement with First State Bank of Dumas, Texas on March 30, 2004, in the principal amount of \$2,845,516. The lease is for the Performance Contract between Johnson Controls, Inc. and the City of Dumas to install energy conservation measures, water measures, facility improvement measures, and operational efficiency improvements for the water and gas meters. The lease requires 48 quarterly payments of \$75,150, beginning September 1, 2004, with the final payment due June 1, 2016. The interest rate is 4.0%.

Pheasant Trails Golf Course

The City of Dumas, d/b/a Pheasant Trails Golf Course, entered into a capital lease with Textron Financial Corporation on April 15, 2003, in the principal amount \$69,925. The lease is for 25 E-Z Go Golf Carts. The lease requires 48 monthly payments of \$1,371, beginning May 15, 2003, with a final payment of \$13,694 due May 15, 2007. The interest rate is 5.50%.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**2. *Lease Commitments* (continued)**

Pheasant Trails Golf Course

The City of Dumas, d/b/a Pheasant Trails Golf Course, entered into another capital lease with General Electric Capital Corporation, on February 20, 2004, in the amount of \$77,145. The lease is for a utility vehicle, two reel master mowers and a grinder. The lease requires four annual payments of \$20,713, beginning February 20, 2004, with a final payment due February 20, 2007. The interest rate is 4.867%.

The annual requirements for the capital leases are as follows:

**Governmental Activities:**

General Fund	Principal	Interest	Total
2006	\$ 35,275	\$ 3,130	\$ 38,405
2007	21,695	1,267	22,962
2008	-	-	-
2009	-	-	-
2010	-	-	-
Thereafter	-	-	-
Total Governmental Activities	\$ 56,970	\$ 4,397	\$ 61,367



**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**2. Lease Commitments (continued)**

**Business-Type Activities:**

Water Fund	Principal	Interest	Total
2006	\$ 198,944	\$ 101,656	\$ 300,600
2007	207,022	93,578	300,600
2008	215,187	85,413	300,600
2009	224,166	76,434	300,600
2010	233,268	67,332	300,600
Thereafter	1,537,300	191,237	1,728,537
Total Water Fund	2,615,887	615,650	3,231,537
 Pheasant Trails Golf Course			
2006	33,551	3,609	37,160
2007	42,414	1,650	44,064
2008	-	-	-
2009	-	-	-
2010	-	-	-
Thereafter	-	-	-
Total Pheasant Trails Golf Course	75,965	5,259	81,224
 Business-Type Activities			
2006	232,495	105,265	337,760
2007	249,436	95,228	344,664
2008	215,187	85,413	300,600
2009	224,166	76,434	300,600
2010	233,268	67,332	300,600
Thereafter	1,537,300	191,237	1,728,537
Total Business-Type Activities	\$ 2,691,852	\$ 620,909	\$ 3,312,761

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**4. Risk Management (continued)**

reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

	Balance October 01, 2004	Additions	Claim Payments	Balance September 30, 2005
Unpaid Claims	\$ 16,923	\$ 430,682	\$ (427,292)	\$ 20,313

**5. Long-Term Debt**

A summary of changes in long-term debt, for the year ended September 30, 2005, is as follows:

Description	Interest Rate Payable	Original Issue Amount	Interest Current Year	Amount Outstanding October 1, 2004	Issued	Retired	Amount Outstanding September 30, 2005	Due within One Year
Series 2001 - Certificates of Obligation (87.37%)	4.1% to 5.5%	\$ 1,572,660	\$ 49,884	\$ 1,153,284	\$ -	\$ 109,212	\$ 1,044,072	\$ 113,581
Public Property Finance Contractual Obligations - Series 1998	4.635%	\$1,000,000	\$ 21,515	\$ 455,000	-	105,000	350,000	110,000
Loan - Happy State Bank, Dumas, Texas	3.75%	\$ 120,500	\$ -	-	120,500	-	120,500	28,460
Landfill closure costs	N/A	N/A	\$ -	\$ 554,117	58,269	-	612,386	-
Capital lease - wheel loader	5.84%	\$ 84,520	\$ 3,596	\$ 61,558	-	19,366	42,192	20,497
Capital lease - 2 police cars	4.50%	\$ 44,361	\$ 1,309	\$ 28,919	-	14,141	14,778	14,778
<b>Total Governmental Activities</b>				\$ 2,252,878	\$ 178,769	\$ 247,719	\$ 2,183,928	\$ 287,316

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**5. *Long-Term Debt (continued)***

In 1998, the City issued Public Property Finance Contractual Obligations in the total amount of \$1,000,000 for the purchase of a fire truck, two sanitation trucks, a motor grader, a street sweeper, two tractors, and five pickup trucks. The certificates mature over a ten year period with an average interest rate of 4.635%.

In 2001, the City issued Certificates of Obligation in the total amount of \$1,800,000 for the purpose of building a concession stand and restrooms for the Little League baseball park, for the street paving project, for refurbishing a water tank, and for a radio system upgrade. The certificates mature over a thirteen year period with interest rates ranging from 5.5% to 4.1%. Annual principal payments are made on the Certificates of Obligation through September 1, 2013. Interest payments are made semi-annually.

Approximately 12.63% of the total balance of the Series 2001 Certificates of Obligation, or \$227,340, was used for refurbishing a water tank in the Water Fund.

In April 2005, the City borrowed \$120,500 from Happy State Bank, Dumas, Texas, for the purpose of purchasing a trash compactor. The loan is to be repaid in four annual payments of \$33,043.44, including principal and interest, beginning April 1, 2006. The loan is expected to be repaid in April 2009. The interest rate is 3.75%.

*Landfill Closure and Postclosure Costs*

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as long-term debt and/or as an expenditure of the General Fund in each period based on landfill capacity used as of each Balance Sheet date. The \$612,386, reported as landfill closure and postclosure care liability at September 30, 2005, represents the cumulative amount reported to date based on the use of 34.2% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,179,491 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. The City expects to close the Type I landfill in approximately eight years or increase capacity for the future. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**5. Long-Term Debt (continued)**

A summary of changes of long-term debt for Business-Type Activities is as follows:

**Business-Type Activities:**

Description	Interest Rate Payable	Original Issue Amount	Interest Current Year	Amount Outstanding October 1, 2004	Issued	Retired	Amount Outstanding September 30, 2005	Due within One Year
<u>Water Fund</u>								
Series 2001 - Certificates of Obligation (12.63%)	4.1% to 5.5%	\$ 227,340	\$ 7,066	\$ 166,716	\$ -	\$ 15,788	\$ 150,928	\$ 16,419
Series 2004 - Certificates of Obligation (40%)	3.1% to 3.6%	\$ 960,000	\$ 32,937	960,000	-	26,000	934,000	28,000
Capital lease - First State Bank	4.0%	\$ 2,845,516	\$ 108,783	2,807,069	-	191,182	2,615,887	198,944
Total Water Fund				3,933,785	-	232,970	3,700,815	243,363
<u>Wastewater Fund</u>								
Series 2004 - Certificates of Obligation (60%)	3.1% to 3.6%	\$ 1,440,000	\$ 49,406	1,440,000	-	39,000	1,401,000	42,000
<u>Pheasant Trails Golf Course</u>								
Capital lease - Golf Course	5.5%	\$ 69,000	\$ 2,479	51,405	-	13,967	37,438	14,755
Capital lease - Equipment	4.87%	\$ 77,145	\$ 2,128	56,432	-	17,905	38,527	18,796
Total Pheasant Trails Golf Course				107,837	-	31,872	75,965	33,551
<b>Total Business-Type Activities</b>				\$ 5,481,622	\$ -	\$ 303,842	\$ 5,177,780	\$ 318,914

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**5. Long-Term Debt (continued)**

A portion of the Certificates of Obligation, Series 2001, was used to refurbish a water tank in the Water Fund. Approximately 12.63% of the total Certificates of Obligation, or \$227,340, was allocated to the Water Fund and is reported as long-term debt of the Water Fund. The Certificates of Obligation are to be paid over a 13 year period ending September 1, 2013. Interest is paid on the certificates semi-annually with interest rates ranging from 5.5% to 4.1%.

The City issued the Series 2004 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation in February 2004 in the total amount of \$2,400,000. The purpose of the Certificates of Obligation is for the following:

- a. Water and system improvements and extensions including the purchase of water rights.
- b. Professional services rendered in connection with the acquisition and construction financing of the projects.

The Certificates of Obligation mature in September 2015 with annual payments. Interest payments are made semi-annually. The interest rate ranges from 3.1% to 3.6%. Approximately 60% of the total Series 2004 Certificates of Obligation, or \$1,440,000, is for the wastewater improvements and are reported in the Wastewater Fund. Approximately 40% of the total Series 2004 Certificates of Obligation, or \$960,000, is for purchase of water rights and extensions and are reported in the Water Fund.

A summary of long-term debt for the Dumas Economic Development Corporation is as follows:

Component Unit	Interest Rate Payable	Original Issue Amount	Interest Current Year	Amount Outstanding October 1, 2004	Issued	Retired	Amount	Due in One Year
							Outstanding September 30, 2005	
Note payable - Happy State Bank Dumas, TX	5%	\$ 400,000	\$ 18,657	\$ 377,466	\$ -	\$ 19,650	\$ 357,816	\$ 20,646

The \$400,000 was borrowed from Happy State Bank - Dumas, Texas branch for the infrastructure development in the Dumas Business Park. The loan is a 5-year note to be repaid in four annual payments of \$38,785 beginning April 1, 2004 and a balloon payment of \$336,895 on April 1, 2008. The interest rate is 5%.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**6. *Debt Service Requirements – Bonds, Long-Term Loans and Capital Leases***

Debt service requirements are as follows:

**Governmental Activities:**

Year Ending September 30,	Principal	Interest	Total
2006	\$ 287,316	\$ 68,224	\$ 355,540
2007	288,555	54,882	343,437
2008	282,352	42,137	324,489
2009	167,255	29,903	197,158
2010	144,160	23,140	167,300
Thereafter	1,014,290	32,449	1,046,739
Total Governmental Activities	\$ 2,183,928	\$ 250,735	\$ 2,434,663

**Business-Type Activities:**

Year Ending September 30,	Principal	Interest	Total
2006	\$ 318,914	\$ 191,866	\$ 510,780
2007	337,118	178,624	515,742
2008	303,501	165,651	469,152
2009	443,743	153,490	597,233
2010	464,108	136,585	600,693
Thereafter	3,310,396	399,807	3,710,203
Total Business-Type Activities	\$ 5,177,780	\$ 1,226,023	\$ 6,403,803

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**B. Liabilities (continued)**

**6. Debt Service Requirements – Bonds, Long-Term Loans and Capital Leases (continued)**

**Component Unit:**

Year Ending September 30,	Principal	Interest	Total
2006	\$ 20,646	\$ 18,139	\$ 38,785
2007	21,693	17,092	38,785
2008	315,477	16,037	331,514
2009	-	-	-
2010	-	-	-
Thereafter	-	-	-
Total Component Unit	\$ 357,816	\$ 51,268	\$ 409,084

**C. Interfund Balances and Transfers**

**1. Pooled Cash Interfund Receivables and Payables**

The City maintains a pooled cash account to maximize interest earnings. At year-end, some of the funds had overdrawn their share of funds in the pool. Each individual fund reports their share of the pooled cash and cash equivalents.

**2. Interfund Balances**

Due from/to other funds balance, at September 30, 2005, were as follows:

	Due From	Due To
General Fund		
Pheasant Trails Golf Course	\$ 1,634,559	\$ -
Pheasant Trails Golf Course		
General Fund	-	1,634,559
Total	\$ 1,634,559	\$ 1,634,559

The purpose of these interfund balances is to allow for ease of funding the daily operations of the City.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**III. DETAILED NOTES ON FUNDS AND ACCOUNT GROUPS (continued)**

**C. Interfund Balances and Transfers (continued)**

**3. *Interfund Transfers***

Interfund transfers, for the year ended September 30, 2005, consisted of the following:

Transfer to General Fund From:	
Gas Fund	\$ 340,000
Water Fund	400,000
Wastewater Fund	<u>250,000</u>
Total Transfer to General Fund	\$ 990,000
Transfer to Nonmajor Fund From:	
Gas Fund	\$ 27,066
Water Fund	<u>20,000</u>
Total Transfer to Nonmajor Fund	\$ 47,066

**D. Fund Equity**

**1. *Reserved Fund Balances***

The Debt Service Fund has a reserved fund balance of \$149,555 for future debt expenditures. The General Fund has a reserved fund balance of \$84,802 for inventories.



**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**IV. SEGMENT INFORMATION FOR THE GENERAL FUND**

Segment information for the General Fund expenditures, for the year ended September 30, 2005, is as follows:

	6100 & 6200 Personal Services & Benefits	6300 Professional Services	6400 Repairs and Maintenance	6500 Other Operating Costs	6600 Materials and Supplies	Debit Service	Capital Outlay	Less: Indirect Cost Allocation	Total Expenditures
General Government									
City Commission	\$ 11,027	\$ -	\$ 24,556	\$ 35,843	\$ 12,527	\$ -	\$ -	\$ 62,948	\$ 21,005
Administration	414,626	81,181	20,399	21,954	32,676	-	-	439,996	130,840
Information systems	60,261	-	4,099	4,880	7,259	-	-	57,374	19,125
Warehouse	171,011	415	1,129	3,960	24,178	-	-	150,520	50,173
Engineering	62,181	-	-	1,051	12,379	-	-	56,708	18,903
Purchasing	39,631	-	167	1,355	7,540	-	-	36,520	12,173
Communications	108,715	80	1,902	2,178	4,427	-	-	102,039	15,263
Public Safety									
Fire	758,178	11,147	13,302	30,586	85,797	-	-	-	899,010
Police	1,397,288	2,065	14,235	52,819	167,693	-	-	-	1,634,100
Highways and Streets	262,815	17,609	41,031	4,977	134,225	-	-	-	460,657
Sanitation									
Sanitation	261,651	6,764	15,660	14,326	82,176	-	-	-	380,577
Landfill	262,507	72,023	23,337	32,308	107,231	-	-	-	497,406
Recycling	19,518	534	2,163	403	6,550	-	-	-	29,168
Culture and Recreation Parks	231,535	4,082	12,040	2,895	65,790	-	-	-	316,342
Debt Service									
Principal	-	-	-	-	-	33,507	-	-	33,507
Interest	-	-	-	-	-	4,905	-	-	4,905
Capital Outlay	-	-	-	-	-	-	224,234	-	224,234
Total Expenditures	\$ 4,060,944	\$ 195,900	\$ 174,020	\$ 209,535	\$ 750,448	\$ 38,412	\$ 224,234	\$ 906,105	\$ 4,747,388

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**V. FEDERAL GRANTS**

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The Federal grant expenditures for the year include the following:

CFDA No. 97.042	Emergency Management Performance Grant	\$ 21,219
CFDA No. 97.004	Homeland Security Grant	<u>399,169</u>
	Total Federal Grant Expenditures	<u>\$ 420,388</u>

**VI. RETIREMENT PLANS**

**A. Multi-Employer Plans**

***Plan Description***

The City of Dumas provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. At the inception of the plan, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. The updated service credit is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City's matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**VI. RETIREMENT PLANS (continued)**

**A. Multi-Employer Plans (continued)**

Members can retire at age 60 and above with 10 or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits.

A member is vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS.

***Contributions***

The contribution rate for the employees is 5%, and the City's matching percent is currently 1½%, as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate is determined annually by the actuary. The unit credit actuarial cost method is used for determining the contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (or overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2005 was \$3,743,659 and the City's contributions were based on a payroll of \$3,575,319. The City made the required contributions, amounting to \$278,397 (retirement rates of 7.43% for 2004 and 7.92% for 2005) for the City and \$178,767 for the employees' part. Total contributions made by the City were \$457,164.

**SUMMARY OF ACTUARIAL LIABILITIES AND FUNDING PROGRESS**

Annual Report Year	Net Assets Available for Benefit	Actuarial Liability	Percentage Funded (1)/(2)	Unfunded Actuarial Liability	Fiscal Year Covered Payroll	UAL as a Percentage of Payroll	Employer Contributions	Average Contribution Rate (7)/(5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1998	3,788,729	4,751,349	79.74	962,620	2,850,188	33.77	344,025	12.07
1999	4,287,028	5,352,172	80.10	1,065,144	2,641,503	40.32	355,829	13.47
2000	4,306,436	5,429,504	79.32	1,123,068	2,954,984	38.01	357,100	12.08
2001	4,812,661	5,948,482	80.91	1,135,821	3,037,016	37.40	368,460	12.13
2002	5,273,352	6,582,867	80.11	1,309,515	3,293,323	39.76	404,315	12.28
2003	5,590,770	7,135,182	78.35	1,544,412	3,454,128	44.71	428,481	12.40
2004	6,120,214	7,587,865	80.66	1,467,651	3,575,319	41.05	457,164	12.79

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**VI. RETIREMENT PLANS (continued)**

**A. Multi-Employer Plans (continued)**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

For the Year Ended September 30,	Annual Required Contribution	Percentage Contributed
1998	\$ 328,704	100 %
1999	\$ 344,025	100 %
2000	\$ 355,829	100 %
2001	\$ 357,100	100 %
2002	\$ 368,460	100 %
2003	\$ 404,315	100 %
2004	\$ 428,481	100 %
2005	\$ 457,164	100 %

The Dumas Economic Development Corporation has a self-employment pension plan for employees after six months of employment. The Corporation contributes 12.5% of the employees gross salary.

**VII. DEBT ISSUANCE AND DEFEASED DEBT**

***Governmental Activities***

The City purchased a trash compactor by obtaining a loan from Happy State Bank, Dumas, Texas in April 2005 for \$120,500. The loan requires four annual payments of \$33,043.44 including principal and interest. The interest rate is 3.75%.

The City had no defeased debt, for the year ended September 30, 2005, in the Governmental Activities.

***Business-Type Activities***

The Business-type activities had no debt issued for the year ended September 30, 2005. The Business-type activities had no defeased debt for the year ended September 30, 2005.

***Component Unit***

The Dumas Economic Development Corporation had no new debt for the year ended September 30, 2005. The Corporation had no defeased debt for the year ended September 30, 2005.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**VIII. FUNCTIONAL EXPENSES AND BUDGET - COMPONENT UNIT**

The Dumas Economic Development Corporation's functional expenses and budget, for the year ended September 30, 2005, were as follows:

	Expenses	Budget	Variance
Other salaries and wages	\$ 120,516	\$ 120,940	\$ 424
Pension Plan contributions	13,797	13,798	1
Other employee benefits	13,114	15,425	2,311
Payroll taxes	9,219	9,253	34
Accounting fees	4,500	3,500	(1,000)
Legal fees	2,344	2,000	(344)
Supplies	7,360	9,000	1,640
Telephone	2,681	5,000	2,319
Postage and shipping	1,270	1,200	(70)
Equipment rental	3,163	4,050	887
Repairs and maintenance	28,119	26,050	(2,069)
Travel and training	1,179	1,000	(179)
Interest	18,657	19,135	478
Depreciation	38,996	-	(38,996)
Dues and fees	7,590	5,000	(2,590)
Utilities	7,827	12,000	4,173
Promotion, culture, development and community grants	128,589	276,155	147,566
Professional services	14,937	1,600	(13,337)
Miscellaneous	3,710	5,900	2,190
Total Expenses	\$ 427,568	\$ 531,006	\$ 103,438

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**IX. DEFICIT NET ASSETS**

***Pheasant Trails Golf Course***

The Pheasant Trails Golf Course deficit balance in net assets of \$870,219 was the result of revenues inadequate to cover expenses (including depreciation) for the current year and prior years. The deficit has been funded through City subsidies.

***Water Fund***

The Water Fund deficit balance in net assets of \$731,034 was the result of the water meters upgrade in the prior year. The deficit was funded with a lease from First State Bank of Dumas, Texas in the prior year.

***Internal Service Fund***

The Health Self-Insurance Fund's deficit balance in net assets of \$44,840 is the result of an increase in health insurance claims paid during the current year and prior years. The deficit net assets will be funded by an increase in the health insurance premiums paid by the City and the employees for health insurance.

**X. EXCESS OF EXPENDITURES OR EXPENSES OVER APPROPRIATIONS**

Expenditures over appropriations in the Governmental-Type Activities are listed in the following schedule:

<u>Fund</u>	<u>Excess of Expenditures Over Appropriations</u>
General Fund	\$ 157,365

The excess expenditures over appropriations is due mainly to landfill expenditures and capital outlay.

Expenses exceeding appropriations in the Business-Type Activities are listed in the following schedule:

<u>Fund</u>	<u>Excess of Expenses Over Appropriations</u>
Wastewater Fund	\$ 449,329

The excess expenses over appropriations in the Wastewater Fund was due to capital outlay and unanticipated operating costs.

**CITY OF DUMAS, TEXAS**  
**Notes to the Financial Statements**  
September 30, 2005

**XI. LITIGATION**

At September 30, 2005, the City of Dumas and the component unit has no known or threatened litigation which would materially affect the City or component unit's financial condition.

## **COMBINING SCHEDULES**



CITY OF DUMAS, TEXAS  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2005

	Police Training Grants Fund	Park Improvement Fund	Hotel/Motel Tax Fund	Christmas Decorations Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,681	\$ 8,197	\$ 46,556	\$ 17,363
Investments - Current	-	-	695	-
Taxes Receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	139,599	-
Intergovernmental Receivables	-	-	-	-
Total Assets	<u>\$ 2,681</u>	<u>\$ 8,197</u>	<u>\$ 186,850</u>	<u>\$ 17,363</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts Payable	\$ -	\$ -	\$ 118,488	\$ 559
Wages and Salaries Payable	-	-	-	-
Compensated Absences Payable	-	-	-	-
Cash and Cash Equivalents - Overdraft	-	-	-	-
Deferred Revenues	2,681	8,197	68,362	16,804
Total Liabilities	<u>2,681</u>	<u>8,197</u>	<u>186,850</u>	<u>17,363</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 2,681</u>	<u>\$ 8,197</u>	<u>\$ 186,850</u>	<u>\$ 17,363</u>

Emergency Management Fund	Law Enforcement Seizure Fund	Court Technology Fund	Fire Safety Grants Fund	Court Security Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 7,055	\$ 15,454	\$ 49,600	\$ 5,249	\$ 15	\$ 152,170	\$ 149,555	\$ 301,725
-	-	-	-	-	695	-	695
-	-	-	-	-	-	19,011	19,011
-	-	-	-	-	139,599	-	139,599
7,621	-	-	35,719	-	43,340	-	43,340
<u>\$ 14,676</u>	<u>\$ 15,454</u>	<u>\$ 49,600</u>	<u>\$ 40,968</u>	<u>\$ 15</u>	<u>\$ 335,804</u>	<u>\$ 168,566</u>	<u>\$ 504,370</u>
\$ 388	\$ -	\$ -	\$ -	\$ -	\$ 119,435	\$ -	\$ 119,435
1,175	-	-	-	-	1,175	-	1,175
368	-	-	-	-	368	-	368
-	-	-	35,719	-	35,719	-	35,719
12,745	15,454	49,600	5,249	15	179,107	19,011	198,118
<u>14,676</u>	<u>15,454</u>	<u>49,600</u>	<u>40,968</u>	<u>15</u>	<u>335,804</u>	<u>19,011</u>	<u>354,815</u>
-	-	-	-	-	-	149,555	149,555
-	-	-	-	-	-	149,555	149,555
<u>\$ 14,676</u>	<u>\$ 15,454</u>	<u>\$ 49,600</u>	<u>\$ 40,968</u>	<u>\$ 15</u>	<u>\$ 335,804</u>	<u>\$ 168,566</u>	<u>\$ 504,370</u>

CITY OF DUMAS, TEXAS  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
For the Year Ended September 30, 2005

	Police Training Grants Fund	Park Improvement Fund	Hotel/Motel Tax Fund	Christmas Decorations Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Hotel/Motel Taxes	-	-	249,306	-
Intergovernmental Revenue and Grants	-	-	-	-
Fines	7,145	-	-	-
Investment Earnings	-	-	-	-
Miscellaneous Revenue	-	-	-	3,712
Total Revenues	<u>7,145</u>	<u>-</u>	<u>249,306</u>	<u>3,712</u>
EXPENDITURES:				
Current:				
Public Safety	-	-	-	-
Police	7,145	-	-	-
Culture and Recreation	-	-	249,306	3,712
Parks	-	497	-	-
Debt Service:				
Debt Service - Principal	-	-	-	-
Debt Service - Interest and Fiscal Charges	-	-	-	-
Capital Outlay:				
Capital Outlay	-	46,569	-	-
Total Expenditures	<u>7,145</u>	<u>47,066</u>	<u>249,306</u>	<u>3,712</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(47,066)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	47,066	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>47,066</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Emergency Management Fund	Law Enforcement Seizure Fund	Court Technology Fund	Fire Safety Grants Fund	Court Security Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,169	\$ 303,169
-	-	-	-	-	249,306	-	249,306
71,903	-	-	399,169	-	471,072	-	471,072
-	4,450	-	-	-	11,595	-	11,595
-	192	-	-	-	192	-	192
-	-	-	-	-	3,712	-	3,712
71,903	4,642	-	399,169	-	735,877	303,169	1,039,046
71,903	-	-	-	-	71,903	-	71,903
-	4,642	-	-	-	11,787	-	11,787
-	-	-	-	-	253,018	-	253,018
-	-	-	-	-	497	-	497
-	-	-	-	-	-	214,212	214,212
-	-	-	-	-	-	73,399	73,399
-	-	-	399,169	-	445,738	-	445,738
71,903	4,642	-	399,169	-	782,943	287,611	1,070,554
-	-	-	-	-	(47,066)	15,558	(31,508)
-	-	-	-	-	47,066	-	47,066
-	-	-	-	-	47,066	-	47,066
-	-	-	-	-	-	15,558	15,558
-	-	-	-	-	-	133,997	133,997
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,555	\$ 149,555

## **INDEPENDENT AUDITOR'S REPORT**

### ***On Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***

Management and City Commission  
City of Dumas  
Dumas, Texas

We have audited the financial statements of the City of Dumas, Texas as of and for the year ended September 30, 2005, and have issued our report thereon dated November 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of Dumas, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Dumas, Texas's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Commission, the Administration, State and Federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

*Keeney, Hembree & Company, L.L.P.*  
(Original signature on file)

November 9, 2005

**CITY OF DUMAS, TEXAS**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2005

**Finding**

**Questioned Costs**

None

None

**CITY OF DUMAS, TEXAS**  
**Schedule of Status of Prior Audit Findings**  
For the Year Ended September 30, 2005

<b><u>Finding</u></b>	<b><u>Status of Prior Year's Finding/Noncompliance</u></b>
None	None



**CITY OF DUMAS, TEXAS**  
**Corrective Action Plan**  
For the Year Ended September 30, 2005

**Finding**

**Corrective Action Plan**

None

None